



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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May 8, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **RAEVERLY'S RESOURCE CENTER CONTRACT - WORKFORCE
INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of Raevery's Resource Center (RRC or Agency), a Workforce Investment Act (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with RRC, a private non-profit community-based organization, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. RRC's office is located in the Second District.

RRC is compensated on a cost reimbursement basis. DCSS paid RRC approximately \$103,000 for Fiscal Year (FY) 2005-06 and RRC's contract for FY 2006-07 is for \$92,617.

Purpose/Methodology

The purpose of the review was to determine whether RRC complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

RRC did not always comply with WIA guidelines and County contract requirements. Specifically:

- RRC billed \$850 to DCSS for unallowable or inadequately supported expenditures.
- RRC did not maintain appropriate documentation to support the program eligibility of two (20%) of the ten program participants sampled.
- RRC did not develop Individual Services Strategy plans for four (40%) of the ten participants sampled.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with RRC on March 28, 2007. In their attached response, RRC concurred with our findings and recommendations.

We notified DCSS of the results of our review and thank RRC for their cooperation and assistance during this review. We will follow-up on our recommendations during next year's monitoring review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Sherai Onibasa, Executive Director, Raeveryly's Resource Center, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
RAEVERLY'S RESOURCE CENTER
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Raevery's Resource Center (RRC or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 10 (40%) youth program participants from a total of 25 participants that received services between April and September 2006 for documentation to confirm their eligibility for WIA services.

Results

RRC did not maintain appropriate documentation to support the program eligibility for two (20%) of the ten program participants sampled. RRC did not incur any direct service charges for the two ineligible participants. The prior year's monitoring review also noted that RRC did not maintain appropriate documentation to support eligibility for a sample of participants.

Recommendation

1. RRC management ensure that staff obtain the appropriate documentation from the participants to determine the participants' eligibility for program services prior to their enrollment.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (25%) participants that received services from April through September 2006. We also interviewed four participants/guardians.

Results

The four participants/guardians interviewed confirmed that the services they received met their expectations. However, RRC did not complete the Individual Services Strategy (ISS) plans for four (40%) of the ten participants as required by the WIA guidelines. The ISS plan is a comprehensive on-going plan jointly developed by the participant and the case manager that identifies the participant's background, skills, goals, barriers to employment and service plans needed to achieve the goals.

Recommendation

- 2. RRC management ensure that staff develop ISS plans for all participants.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for September 2006.

Results

RRC's bank reconciliation was not prepared correctly. The adjusting bank balance on the reconciliation did not agree with the adjusting book balance and the total outstanding checks did not agree with their supporting ledger. The bank reconciliation was not dated by the preparer and reviewer. Subsequent to our review, RRC provided a correct bank reconciliation for September 2006.

Recommendation

- 3. RRC management ensure that bank reconciliations are prepared correctly and dated by the preparer and reviewer.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for all 30 non-payroll expenditure transactions billed by the Agency for July and August 2006, totaling \$5,092.

Results

RRC billed DCSS \$93 for unallowable expenditures and \$27 for unsupported expenditures.

Recommendations**RRC management:**

4. Repay DCSS \$120.
5. Ensure that expenditures charged to the WIA program are supported and allowable under the County contract and WIA guidelines.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

RRC's internal controls need to be improved. The Director of Operations and the Executive Director continue to have access to all accounting records, blank checks, personnel records, and payroll records, as noted in the prior year's monitoring review.

Recommendation

6. RRC management ensure that there are adequate segregation of duties.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether RRC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We conducted a physical inventory of all five items funded by WIA funds, totaling approximately \$1,100.

Results

RRC used the equipment purchased with WIA funding for the WIA program and the items were safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for all five employees in July and August 2006, totaling \$8,680, to the payroll records and time reports. We also interviewed two staff and reviewed the personnel files for the five staff assigned to the WIA program.

Results

RRC appropriately charged payroll expenses to the WIA program and RRC's personnel files were properly maintained. However, RRC had not completed a performance evaluation for one employee since July 2003.

Recommendation

7. RRC management ensure that annual performance evaluations are completed and copies are maintained in the employees' personnel files.

COST ALLOCATION PLAN**Objective**

Determine whether RRC's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency to ensure the expenditures were properly allocated to the Agency's programs.

Results

RRC's Cost Allocation Plan was prepared in compliance with the County contract.

Recommendation

There are no recommendations in this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-06 final close-out invoice submitted to DCSS to the Agency's total WIA program expenditures on their general ledger. The close-out invoice summarizes the total program expenditures for the fiscal year. We also reviewed a sample of expenditures incurred in June 2006.

Results

RRC billed \$730 in entertainment costs, including cost related to theme parks, movies and foods purchased for participants. WIA guidelines do not allow entertainment costs and non-monetary incentives to be paid to WIA participants.

Recommendations**RRC management:**

8. Repay DCSS \$730.
9. Ensure that expenditures billed to DCSS are allowable.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in May 2006.

Results

The prior year's monitoring report contained 15 recommendations. RRC implemented 13 (87%) of the 15 recommendations. Both of the outstanding recommendations were also noted during this year's monitoring review.

Recommendations

10. RRC management implement the outstanding recommendations from FY 2005-06 monitoring report.
11. DCSS management follow-up to ensure that RRC implemented prior audit recommendations.

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April 19, 2007

J. Tyler McCauley
Auditor Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division

RE: Audit Findings for Raevery's Resource Center

Raevery's Resource Center (RRC) is submitting the following information in regards to the fiscal audit for the WIA program for the 2006-07 in response to the report given by the LA Auditor-Controller's office.

1. **Concur.** RRC will ensure that appropriate documentation for eligibility is obtained prior to enrollment
2. **Concur.** RRC will ensure that Individual Service Strategy plans will be developed for all program participants.
3. **Concur.** RRC is currently preparing and reviewing bank reconciliations appropriately.
4. **Concur.** RRC will repay \$120 to DCSS.
5. **Concur.** RRC will ensure that expenditures charged to the WIA program are incurred during the contract period.
6. **Partially Concur.** The Director of Operations currently has access to the all accounting records, personnel records, and payroll records. The Executive Director does not have access to accounting records, blank checks or payroll records. RRC will make the necessary modifications to segregate duties to the best of the agency's ability.
7. **Concur.** RRC will ensure that annual performance evaluations are completed for each employee.
8. **Concur.** RRC will repay DCSS \$730

9. **Concur.** RRC will ensure that the expenditures billed to DCSS are allowable.

10. **Concur.** RRC will implement the outstanding recommendations from FY 2005-06 monitoring report.

If you have any questions and should additional information be required, please feel free to contact me at (310) 856-0280.

Sincerely,



Sherai Onibasa
Executive Director
Raevery's Resource Center